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FISCAL IMPACT STATEMENT

LS 7408

BILL NUMBER: SB 503

NOTE PREPARED: Jan 19, 2015

BILL AMENDED:

SUBJECT: Net Metering for Electric Utility Customers.

FIRST AUTHOR: Sen. Messmer

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Indiana Utility Regulatory Commission (IURC) to adopt, not later than August 1, 2015, emergency rules amending the IURC's net metering and interconnection rules for electric utilities. It provides that the amended rules must do the following:

- (1) Require a municipally owned electric utility under the IURC's jurisdiction to:
 - (A) offer a net metering program to all customers classes; and
 - (B) allow all customer classes to interconnect a customer-generator facility with a distribution facility of the utility.
- (2) Allow:
 - (A) a municipally owned utility not under the IURC's jurisdiction; or
 - (B) a rural electric membership cooperative; to offer a net metering program to one or more customer classes and allow one or more customer classes to interconnect a customer-generator facility with a distribution facility of the utility or cooperative.

Effective Date: Upon passage.

Explanation of State Expenditures: *Summary* - This bill requires the Indiana Utility Regulatory Commission (IURC) to adopt emergency rules to require municipally owned electric utilities under IURC jurisdiction to offer net metering to all customer classes and allow municipally owned electric utilities or rural electric membership cooperatives not under IURC jurisdiction to offer net metering to one or more customer classes. The rules must be adopted by August 1, 2015. Any increase in administrative costs to the IURC could be offset by public utility fees.

Additional Information - The operating budget of the IURC is funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the agency's budget, less reversions, divided by the total amount of gross intrastate operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.12% of their gross intrastate operating revenues to fund the IURC.

The current administrative rules for net metering (170 IAC 4-4.2) require investor-owned electric utilities to offer net metering to customers that install net metering facilities. The administrative rules allow these utilities to limit the aggregate amount of net metering nameplate capacity to 1% of the most recent summer peak load of the utility, with at least 40% of the capacity reserved solely for participation by residential customers.

Explanation of State Revenues: Summary - The rules required to be adopted by the IURC concerning municipally owned electric utilities offering net metering to customers could impact utility rates. As a result, there could be an impact on Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax collections. The impact will ultimately depend on the participation of customers of municipally owned electric utilities in net metering programs and the rules adopted by the IURC.

Additional Information - The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales tax revenue is deposited in the state General Fund (98.848%), the Motor Vehicle Highway Account (1%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Net metering provides an opportunity for customers who have installed renewable energy facilities to reduce their energy costs and rely on an electric utility as a supplemental source of electricity. If the amount of electricity that the customer receives from a utility is greater than the amount generated by the customer and sold to the utility, the difference is charged to the customer. If the amount of electricity that the customer receives from a utility is less than the amount generated by the customer and sold to the utility, the customer would receive a credit on their next bill.

Explanation of Local Expenditures:

Explanation of Local Revenues: Depending on the participation of customers of municipally owned electric utilities in net metering programs and rules adopted by the IURC, there could be an impact on local revenues to the extent that a local unit receives distributions from sales tax revenue.

State Agencies Affected: Indiana Utility Regulatory Commission.

Local Agencies Affected: Municipally owned electric utilities.

Information Sources:

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